



DATE: August 30, 2016

RE: Plan Bay Area 2040 DRAFT Preferred Scenario

Dear Colleagues,

The *Plan Bay Area 2040 Draft Preferred Scenario* is now ready for review and MTC and ABAG are seeking the input of local jurisdictions to inform the development of the Final Preferred Scenario slated for adoption in November 2016. As outlined in the attached Introduction, the *Draft Preferred Scenario* builds upon the current Plan Bay Area adopted in 2013 and represents a projected pattern of household and employment growth in the Bay Area through 2040. Combined with the corresponding transportation investment scenario and incorporating additional refinements based, in part, upon local jurisdictional feedback it will form the core of Plan Bay Area 2040 slated for final adoption in Summer, 2017.

For many local communities, the distribution of 2040 employment and household forecasts may be viewed as the most important output of this effort. This draft information is included in Attachment A to the introduction, organized by local jurisdiction and split into PDA and jurisdiction totals. We understand that some adjustments may be necessary as we continue to refine the *Draft Preferred Scenario's* assumptions. Regional Agency Staff are currently working with county-level Planning Director organizations and Congestion Management Agencies to schedule staff-level presentations of the *Plan Bay Area 2040 Draft Preferred Scenario* in each county. Information on the date/time and location of these meetings is available here: <http://planbayarea.org/misc/county-planning-directors-meetings.html>.

Regional agency staff will also be available during the month of September to meet with local planners from individual jurisdictions at the Bay Area Metro Center in San Francisco, via teleconference, or onsite with local jurisdictions to hear feedback as to where and how the *Draft Preferred Scenario* allocates the region's growth. This dialogue will be informed by model output, as well as local economics, pipeline projects, proposed policies, local plans and current zoning. Requests for jurisdictional meetings should be directed to Megan Espiritu, mespiritu@mtc.ca.gov. Any written comments on the *Draft Preferred Scenario* should be submitted no later than October 14, 2016. In response to this upcoming cycle of feedback, MTC and ABAG will make adjustments as appropriate during the month of September and October, with the goal of the MTC Commission and ABAG Executive Board adopting the Final Preferred Scenario on November 17, 2016.

Please do not hesitate to contact Ken Kirkey kkirkey@mtc.ca.gov or Miriam Chion miriamc@abag.ca.gov with any questions or comments. We greatly appreciate your involvement and input in the development of Plan Bay Area 2040.

Best Regards,

A blue ink signature of Steve Heminger.

Steve Heminger
MTC, Executive Director

A black ink signature of Ezra Rapport.

Ezra Rapport
ABAG, Executive Director

Introduction to the Draft Preferred Scenario for Plan Bay Area 2040

Welcome to *Plan Bay Area 2040's Draft Preferred Scenario*. This vision for the nine-county San Francisco Bay Area builds on the groundbreaking *Plan Bay Area*, adopted by the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) in 2013 after extensive analysis and outreach. Plan Bay Area 2040 continues to be guided by Senate Bill 375, requiring California's metropolitan areas to adopt an integrated long range regional transportation plan (RTP) and sustainable communities strategy (SCS) — a roadmap to reduce per-capita greenhouse gas emissions and house the region's population at all income levels.

Plan Bay Area 2040's *Draft Preferred Scenario* largely reflects the foundation established by its predecessor. The Plan creates a blueprint for providing sufficient housing for current residents and newcomers alike, at all income levels. It focuses development toward Priority Development Areas (PDAs) — neighborhoods that are close to public transit and identified by local jurisdictions as being appropriate for smart, compact development. Lastly, it confines growth to established communities, and protects the Bay Area's legacy of vast and varied open spaces.

What is the Draft Preferred Scenario?

The Draft Preferred Scenario represents a projected regional pattern of household and employment growth in 2040. Together with the corresponding transportation investment strategy, it forms the core of Plan Bay Area 2040. The Preferred Scenario and transportation investment strategy are evaluated against a set of regionally-adopted performance targets to measure how well the Plan addresses regional goals including climate protection, transportation system effectiveness, economic vitality, and equitable access. Only two targets are mandatory for the region to achieve under Senate Bill 375 – Climate Protection and Adequate Housing. The remaining 11 targets are voluntary, but provide a useful reference point for policymakers and the public to consider.

For many local jurisdictions, the distribution of 2040 employment and household forecasts may be viewed as the most important output of this effort. This draft information is included in Attachment A, organized by local jurisdiction, and split into PDA totals. These numbers stem from distributing ABAG's economic and demographic forecasts through use of an advanced regional land use model. The land use model, UrbanSim, went through an iterative set of adjustments in response to expert reviews, public input, and dialogue with local officials. ABAG regional planners developed a set of targets informed by local dialogue against which the model output could be evaluated.

Simply put, the most fundamental challenge faced by MTC and ABAG when developing these forecasts is to create a Plan that supports local plans while accommodating the region's total forecasted growth and meeting the state mandated sustainability goals. Thus, the Draft Preferred Scenario must assess potential opportunities for new housing and jobs while reflecting local aspirations and numerous local, regional, and state public policy decisions that affect growth and protect our natural areas.

The Draft Preferred Scenario does not mandate any changes to local zoning rules, general plans or processes for reviewing projects, nor is it an enforceable direct or indirect cap on development locations or targets in the region. As is the case across California, the Bay Area's cities, towns

and counties maintain control of all decisions to adopt plans and permit or deny development projects. Plan Bay Area 2040 also does not establish new state-mandated Regional Housing Needs Allocation (RHNA) numbers for each jurisdiction. RHNA operates on an eight-year cycle, with the next iteration not due until the 2021 RTP/SCS. Because RHNA numbers are not at stake this cycle, this update to the region's long-range plan has been characterized as **limited and focused**.

What's new and different?

The Bay Area economy has exploded over the past four years, attracting thousands of new people and jobs. Regional growth forecasts have been revised upward as a result. ABAG forecasts an additional 1.3 million jobs and 2.4 million people and therefore the need for approximately 820,000 housing units between 2010 and 2040. This represents an increase of 15 percent in the projected employment growth and a 25 percent increase in projected household growth, relative to the last Plan.

The economic surge has been both a blessing and a challenge, offering employment opportunities unseen since the Bay Area's dot-com boom, while also clogging freeways and public transit, and triggering an unprecedented housing squeeze, particularly for lower and moderate income workers, many of whom have been displaced or are at risk for displacement. Moving forward, some cities will welcome new residents and housing with open arms, seeing the opportunity to revitalize depressed areas, or to make better use of prime land around transit nodes. For other communities, accommodating future growth may be an acute challenge, practically and/or politically. The Draft Preferred Scenario recognizes the diversity of the region's communities, and that there is no "one size fits all" in terms of the type of future development desired by our residents.

To address the challenges of planning for an increasingly complex region, MTC and ABAG have continued to evolve technical methods for creating regional scenarios. UrbanSim incorporates current zoning for 2 million individual land parcels across the Bay Area, as well as available information about current regional and local economic and real estate market trends. UrbanSim is an ambitious project which compiles a large amount of data at a very detailed geographic resolution. The detailed level of UrbanSim output is used for the analysis of performance measures.

UrbanSim builds upon the methodology used by the Agencies in the prior Plan. The prior methodology combined a land use allocation process based on observed historic growth patterns with jurisdictional expectations described in local plans. This time, UrbanSim also incorporates zoning tools, the most recent PDA assessment, and household, business, and developer choice models. The agencies ran the model hundreds of times, testing the effects that different regional strategies could have on affecting the distribution of housing and employment growth. The output was measured against a set of growth targets put together by ABAG regional planners working with planners from local jurisdictions. Overall, the growth allocation results of the UrbanSim model align fairly closely with these growth targets at a summary level as well as for most localities, though, there are substantial differences for some individual localities. The extent of the differences between local plans and the UrbanSim output is a discussion for the agencies, regional stakeholders, and individual jurisdictions.

The *Draft Preferred Scenario* accommodates 100 percent of the needed housing units, and offers a rationale that these units can be built given future market conditions and existing or expected policies to support focused growth at the local, regional or state level.

How did we get here?

In May 2016, MTC and ABAG released three alternative land use and transportation scenarios illustrating the effects that different housing, land use, and transportation strategies would have on the adopted goals and performance targets. The three scenarios represented a progression of plausible regional futures, from more intense housing and employment growth in the urban core — called the “Big Cities Scenario”; to more evenly apportioned development among PDAs in medium-sized cities with access to rail services — labeled the “Connected Neighborhoods Scenario”; to a more dispersed development pattern, with more relative growth occurring outside of PDAs — known as the “Main Streets Scenario.”

The release of the scenarios initiated a public process in May and June 2016 to garner input from the public, stakeholders, community groups, and local officials, via public open houses in each county, an online comment forum as well as an online interactive quiz (the “Build a Better Bay Area” website). By July, MTC and ABAG had received comments from more than 1,100 residents. During this time period, the agencies received direct feedback from the local jurisdictions on the scenarios.

Additionally, the results of a 2015 PDA Assessment have also directly informed our confidence in the Draft Preferred Scenario. This assessment examined 65 of the nearly 200 locally identified PDAs. The analysis evaluated the likelihood of housing actually being built in each PDA, by examining local planning and permitting processes; community support for development; market forces, including the attractiveness of the area to investors, developers and builders; the capacity of water and sewer systems and other infrastructure; and the availability of financing. The PDA Assessment was a reality check. It found that under existing conditions — meaning with current zoning laws, policies and market conditions — only about 70 percent of housing allocated to PDAs in *Plan Bay Area 2013* would get built with these results being boosted to nearly 90 percent with a range of fairly aggressive policy and investment strategies. The results of the *Draft Preferred Scenario* align with the results of the PDA Assessment, providing added confidence in the regional forecast’s consideration of both market conditions and local policy.

Strategies included in the Preferred Scenario

Beyond built-in assumptions on local planning and market conditions, the Draft Preferred Scenario also works to incorporate a number of regional land use strategies, which can affect land use patterns by changing a community’s capacity for new development or incentivizing a particular type or location of growth. This combination of strategies is necessary to create a *Draft Preferred Scenario* that can achieve or move toward the region’s adopted targets.

The land use strategies incorporated in the Draft Preferred Scenario include the following:

- Current urban growth boundaries are kept in place.
- Inclusionary zoning was applied to all cities with PDAs, meaning that these jurisdictions are assumed to allow below-market-rate or subsidized multi-family housing developments.

- All for-profit housing developments are assumed to make at least 10 percent of the units available to low-income residents, in perpetuity (via deed restrictions).
- In some cases, PDAs were assigned higher densities in the future than are currently allowed.
- The cost of building in PDAs and/or Transit Priority Areas (TPAs) is assumed to be reduced by the easing of residential parking minimums and streamlining environmental clearance.
- Subsidies are assumed to stimulate housing and commercial developments within PDAs.

These measures are not prescriptive— again, there are many potential public policy options that could help the region attain its adopted targets. Rather, these strategies should be considered as illustrations of what it would take to keep the Bay Area an economically vibrant, diverse and sustainable region in the year 2040.

Moving Forward

Although the levels of new housing and jobs may appear daunting, the challenge becomes much more achievable when viewed through the long-range lens of a 25-year plan. For instance, a medium-sized city of 50,000 residents slated to absorb 1,000 more new housing units by 2040 than previously anticipated would in actuality need to only add 40 units a year to meet the target. That yearly figure could be reached by adding two 10-unit apartment buildings (or one 20-unit building) per year, and creating another 20 accessory dwelling units associated with single-family homes each year. In other words, in nearly all cases, jurisdictions should be able to absorb their housing allotments while fully retaining the character of their communities.

It is important to keep in mind that the process of refining the Bay Area’s ideal development pattern is nearly continuous to stay synced with the four-year mandated update cycles— we will revisit all the assumptions in the adopted Preferred Scenario as we launch the next update to Plan Bay Area. We learn more with each cycle, and are able to take those lessons and apply them to the forecasting and modeling as well as our public outreach methods for the next cycle.

Such assurances aside, regional planners and policymakers understand that some adjustments may be necessary as we continue to refine the *Draft Preferred Scenario*’s assumptions. To this end, a careful balancing act regarding future growth patterns is as much an art as a science, and we look forward to working with local planners and policymakers, stakeholders and members of the public in the coming weeks to advance our mutual understanding of the development climate and capacity in various jurisdictions, and to refine and improve this *Draft Preferred Scenario*.

Attachment A: Distribution of 2040 Household and Employment Forecasts

Attachment A: Distribution of 2040 Household and Employment Forecasts
Plan Bay Area 2040 *Draft Preferred Scenario*

County	Jurisdiction	Summary Level	Households 2010	Household Forecast 2040	Employment 2010	Employment Forecast 2040
Alameda	Alameda	Total	30,100	41,700	29,200	39,600
		PDA	1,850	6,000	6,900	15,200
	Albany	Total	7,350	7,850	4,400	5,600
		PDA	300	550	2,100	2,450
	Berkeley	Total	46,500	55,700	90,300	139,400
		PDA	6,700	13,300	28,500	42,000
	Dublin	Total	14,900	23,300	18,100	31,400
		PDA	3,100	8,500	5,000	14,000
	Emeryville	Total	5,600	14,300	15,850	20,550
		PDA	2,400	10,500	13,500	16,850
	Fremont	Total	70,000	89,900	86,200	114,500
		PDA	23,000	41,200	38,200	46,000
	Hayward	Total	45,100	53,200	60,900	92,400
		PDA	4,350	8,600	7,600	10,300
	Livermore	Total	28,600	30,900	42,600	48,800
		PDA	850	2,100	23,800	27,750
	Newark	Total	12,900	15,450	17,300	25,600
		PDA	200	2,150	200	450
	Oakland	Total	157,200	235,000	179,100	257,500
		PDA	115,500	190,500	158,200	229,400
	Piedmont	Total	3,800	3,850	1,800	1,750
	Pleasanton	Total	24,700	34,600	60,100	69,900
		PDA	1,300	8,000	12,500	19,600
	San Leandro	Total	30,800	38,500	49,700	66,800
		PDA	4,700	11,700	9,750	11,000
	Union City	Total	20,300	24,200	21,000	30,700
		PDA	500	3,450	250	250
	Alameda County Unincorporated	Total	50,000	56,300	28,850	33,700
		PDA	10,450	12,850	6,850	8,850
	County Total	Total	548,000	724,700	705,500	978,300
		PDA	175,100	319,300	313,400	444,000

County	Jurisdiction	Summary Level	Households 2010	Household Forecast 2040	Employment 2010	Employment Forecast 2040
Contra Costa	Antioch	Total	32,400	41,900	20,200	25,400
		PDA	1,400	5,200	2,050	2,300
	Brentwood	Total	16,800	29,700	11,600	12,150
	Clayton	Total	3,950	4,050	2,000	2,100
	Concord	Total	45,000	66,000	54,200	95,200
		PDA	4,000	22,200	10,200	41,400
	Danville	Total	15,300	16,550	11,800	12,450
		PDA	1,350	2,000	6,300	6,600
	El Cerrito	Total	10,300	11,950	5,300	5,750
		PDA	750	2,000	3,800	4,550
	Hercules	Total	8,300	10,600	4,850	6,050
		PDA	900	2,650	1,150	1,500
	Lafayette	Total	9,200	10,750	9,050	9,650
		PDA	1,700	2,700	6,650	7,250
	Martinez	Total	14,250	15,450	20,800	26,200
		PDA	700	850	6,800	9,650
	Moraga	Total	5,600	5,750	4,500	5,800
		PDA	30	40	1,400	1,650
	Oakley	Total	10,600	16,700	3,350	6,050
		PDA	800	6,400	1,550	4,050
	Orinda	Total	6,500	7,050	4,850	5,150
		PDA	250	550	2,650	2,800
	Pinole	Total	6,550	7,300	6,850	9,000
		PDA	350	950	5,250	6,950
	Pittsburg	Total	19,400	27,400	11,800	16,400
		PDA	5,150	8,900	4,600	6,100
	Pleasant Hill	Total	13,500	14,000	16,300	19,600
		PDA	850	950	5,750	7,100
	Richmond	Total	36,700	56,500	30,800	63,500
		PDA	8,600	22,300	13,400	37,000
	San Pablo	Total	8,950	9,600	7,400	10,000
		PDA	2,000	2,350	4,850	6,700
	San Ramon	Total	24,400	31,100	47,900	46,100
		PDA	200	5,800	25,650	22,400
	Walnut Creek	Total	30,400	38,200	51,050	54,550
		PDA	4,950	9,550	27,400	29,500
	Contra Costa County Unincorporated	Total	57,800	70,700	0	0
		PDA	4,400	16,100	0	0
	County Total	Total	375,900	491,200	360,200	472,700
		PDA	38,300	111,500	138,200	209,400

County	Jurisdiction	Summary Level	Households 2010	Household Forecast 2040	Employment 2010	Employment Forecast 2040
Marin	Belvedere	Total	900	1,000	300	300
	Corte Madera	Total	3,900	4,350	6,650	7,450
	Fairfax	Total	3,400	3,550	1,550	1,700
	Larkspur	Total	5,850	6,300	7,450	8,800
	Mill Valley	Total	5,900	8,150	6,000	6,600
	Novato	Total	20,150	21,350	26,400	29,500
	Ross	Total	800	900	350	400
	San Anselmo	Total	5,200	5,450	3,300	3,650
	San Rafael	Total	22,550	25,950	43,300	49,100
		PDA	1,650	2,750	9,000	10,100
	Sausalito	Total	4,150	4,500	5,200	5,800
	Tiburon	Total	3,600	3,850	2,850	2,900
	Marin County Unincorporated	Total	27,450	30,600	17,500	21,350
		PDA	1,500	2,050	650	750
	County Total	Total	103,900	115,900	120,800	137,600
		PDA	3,150	4,800	9,650	10,850
Napa	American Canyon	Total	5,400	7,000	5,450	8,150
		PDA	400	1,500	1,350	1,700
	Calistoga	Total	2,050	2,400	2,200	2,650
	Napa	Total	28,100	30,250	34,000	36,500
		PDA	350	1,200	5,300	6,300
	St. Helena	Total	2,400	3,000	5,700	5,650
	Yountville	Total	1,100	1,200	2,750	2,750
	Napa County Unincorporated	Total	10,200	11,850	20,550	23,250
	County Total	Total	49,200	55,700	70,700	79,000
		PDA	800	2,700	6,600	8,050
San Francisco	San Francisco	Total	347,100	475,500	576,900	887,800
		PDA	184,000	302,300	473,800	765,000

County	Jurisdiction	Summary Level	Households 2010	Household Forecast 2040	Employment 2010	Employment Forecast 2040
San Mateo	Atherton	Total	2,350	2,500	2,150	2,300
	Belmont	Total	8,800	9,600	7,900	10,000
		PDA	2,500	2,850	3,500	4,450
	Brisbane	Total	1,800	6,300	5,200	17,600
		PDA	0	4,400	0	10,900
	Burlingame	Total	12,250	13,800	28,000	38,300
		PDA	6,950	8,300	11,500	15,700
	Colma	Total	850	1,250	3,950	4,900
		PDA	700	1,050	1,450	1,950
	Daly City	Total	30,700	37,000	18,400	23,150
		PDA	8,500	13,500	4,650	5,800
	East Palo Alto	Total	6,950	9,950	5,100	7,000
		PDA	800	2,200	950	1,750
	Foster City	Total	11,900	14,250	15,800	21,800
	Half Moon Bay	Total	4,200	4,700	4,900	5,200
	Hillsborough	Total	3,750	3,950	2,100	2,300
	Menlo Park	Total	12,300	17,800	34,600	45,000
		PDA	200	1,050	6,200	7,950
	Millbrae	Total	7,950	11,000	5,900	12,900
		PDA	600	3,350	2,800	9,100
	Pacifica	Total	13,900	14,300	5,950	7,300
	Portola Valley	Total	1,700	1,750	2,700	3,000
	Redwood City	Total	27,800	36,000	59,200	85,000
		PDA	600	6,700	20,700	27,600
	San Bruno	Total	14,600	18,300	12,900	15,350
		PDA	3,700	6,750	9,300	11,300
	San Carlos	Total	13,200	13,700	16,300	21,700
		PDA	50	100	1,200	1,650
	San Mateo	Total	37,900	49,200	51,000	67,600
		PDA	11,200	19,200	25,300	34,000
	South San Francisco	Total	20,450	23,450	38,800	55,400
		PDA	5,300	7,650	8,250	11,350
	Woodside	Total	2,050	2,500	1,950	2,150
	San Mateo County Unincorporated	Total	21,400	24,500	20,600	27,500
		PDA	2,400	2,950	3,200	4,100
	County Total	Total	256,900	315,800	343,300	475,300
		PDA	43,500	80,100	99,000	147,600

County	Jurisdiction	Summary Level	Households 2010	Household Forecast 2040	Employment 2010	Employment Forecast 2040
Santa Clara	Campbell	Total	16,550	18,950	25,200	31,800
		PDA	600	1,650	5,250	6,950
	Cupertino	Total	20,900	24,450	26,800	53,100
		PDA	2,250	4,900	9,800	13,950
	Gilroy	Total	14,000	19,600	17,850	20,800
		PDA	1,400	3,350	4,500	5,300
	Los Altos	Total	10,500	12,000	14,050	16,750
		PDA	0	200	2,200	2,650
	Los Altos Hills	Total	2,850	3,050	1,550	1,750
	Los Gatos	Total	11,900	12,400	19,000	21,250
	Milpitas	Total	19,000	30,800	42,000	56,400
		PDA	800	8,800	5,700	9,900
	Monte Sereno	Total	1,250	1,350	550	550
	Morgan Hill	Total	12,550	15,500	19,250	20,700
		PDA	250	900	1,550	1,400
	Mountain View	Total	31,800	58,500	48,500	69,600
		PDA	5,800	29,300	25,200	39,000
	Palo Alto	Total	26,550	29,150	102,000	123,200
		PDA	500	950	3,850	4,800
	San Jose	Total	297,700	440,600	387,700	502,600
		PDA	67,200	201,700	229,200	299,400
	Santa Clara	Total	42,100	54,900	102,900	189,100
		PDA	300	6,200	10,200	13,100
	Saratoga	Total	10,650	11,000	8,750	9,500
	Sunnyvale	Total	52,600	80,700	65,800	116,000
		PDA	6,200	32,000	21,900	29,000
	Santa Clara County Unincorporated	Total	26,100	33,600	29,500	36,500
	County Total	Total	597,100	846,600	911,500	1,269,700
		PDA	85,300	289,800	319,200	425,500

County	Jurisdiction	Summary Level	Households 2010	Household Forecast 2040	Employment 2010	Employment Forecast 2040
Solano	Benicia	Total	10,700	11,800	12,900	18,600
		PDA	600	900	2,050	2,050
	Dixon	Total	5,850	6,950	4,850	6,100
		PDA	450	550	300	350
	Fairfield	Total	34,200	38,700	43,100	51,600
		PDA	2,300	5,000	6,450	7,100
	Rio Vista	Total	3,700	10,400	2,350	2,450
	Suisun City	Total	9,000	9,650	2,500	3,000
		PDA	1,100	1,550	1,100	1,300
	Vacaville	Total	31,000	33,050	29,300	35,000
		PDA	850	2,250	4,900	4,950
	Vallejo	Total	40,950	45,050	30,900	35,300
		PDA	400	1,150	2,600	3,050
	Solano County Unincorporated	Total	6,900	14,700	4,250	4,400
	County Total	Total	142,300	170,300	130,200	156,500
		PDA	5,700	11,400	17,350	18,800
Sonoma	Cloverdale	Total	3,250	5,250	1,750	1,600
		PDA	800	2,850	550	500
	Cotati	Total	3,050	3,550	2,700	3,000
		PDA	350	700	700	700
	Healdsburg	Total	4,400	4,700	8,400	9,900
	Petaluma	Total	21,800	27,100	30,000	35,700
		PDA	500	4,450	3,500	4,050
	Rohnert Park	Total	15,000	21,100	12,050	13,350
		PDA	1,300	5,300	4,250	4,900
	Santa Rosa	Total	63,800	78,800	76,400	91,700
		PDA	16,800	30,300	41,100	48,600
	Sebastopol	Total	3,300	5,000	5,000	5,050
		PDA	2,050	3,750	4,650	4,650
	Sonoma	Total	4,900	6,250	7,150	8,050
	Windsor	Total	9,050	10,550	7,600	9,200
		PDA	1,100	2,300	900	1,200
	Sonoma County Unincorporated	Total	58,300	68,600	51,700	63,900
	County Total	Total	186,800	231,000	202,700	241,400
		PDA	23,000	49,700	55,800	64,600
Regional Total		Total	2,607,000	3,427,000	3,422,000	4,698,000
		PDA	559,000	1,172,000	1,433,000	2,094,000